

THE CHALLENGES OF COMPREHENSIVE ACCOUNT AUDITING AND THE RAMPANT USE OF ACCOUNTING SOFTWARE

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ABSTRACT: *This study determined the challenges of comprehensive account auditing and the rampant use of accounting software. Specifically, the study determined the effect of accounting software over efficient bookkeeping and documentations as regards to sufficient audit evidence after comprehensive account auditing. The study also ascertained the effect of complacency in filing and bookkeeping common with firms that rely on accounting software in relation to misstatement, accounting error, fraud and corruption among the top managers and accountants. Finally, the study shall throw a spot light on accounting efficiency among firms. Three research questions guided the study. The design adopted for this study was descriptive survey and correlational research design. The study population comprised 76 accountants in the 19 ministries in Anambra State. Mean and standard deviation were used to analyze the research questions. The instrument was validated by experts in accounting and Cronbach Alpha was used to determine the reliability of the instrument which obtained an overall reliability coefficient of 0.79. The study concluded that quality audit reveals the true profitability nature of a company in relation to its total assets, business transactions are lacking in source documents often called business paper due to the use of accounting software, absence of sufficient audit evidence from source documents has negative implications during software accounting audit; and auditors lack sufficient audit evidence from source documents during software accounting audit. The study therefore recommended proper book keeping, documentation and utilization of source documents to check mate system entries, constant periodic internal audit, which help to check the duties and activities of the staff. The study also recommended that constraint should be placed on the accessing of the software according to specific job descriptions, constraint should be placed on amendments and modifications of entries except on authorization and must be manned from the IT department and a manual record of all signed and approved amendments and modifications done, must be kept for reference purposes and during audit.*

KEYWORDS: accounting, auditing, accounting software, source documents, audit process

INTRODUCTION

Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character and interpreting the result thereof, (Smith & Ashburne, 2014). According to the American Accounting Association (AAA) accounting refers to the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information". Whereas, auditing is a systematic examination of the books and records of a business or the organization in order to ascertain or verify and to report upon the facts regarding the financial operation and the result thereof, (Montgomery,2013). This role is carried out by the external auditor usually appointed based on the decision of the board.

Quality auditing is a catalyst for clear, understandable and true nature of financial affairs and status of a company. The confidence of depositors who are part of the stakeholders is built through a trusted and audited bank statement of account published for the public. The quality of an audit depends simultaneously on several audit firm features such as auditor specialty, audit report lag, auditor independence, auditor tenure, audit firm size, audit fee, auditor enterprise, audit company type (Ng & Tai, 1994; Abedalgader, Ibrahim & Baker, 2010).

Accounting was earlier based on manual approach and the experience and skillfulness of an individual accountant was the main critical competency in all accounting processes. However, the manual approach and methods were unproductive and unsuccessful with higher incidences of human errors. Such errors were fixed with the introduction of accounting information systems, which supported automation for processing large loads of data and produce timely accurate information.

The first accounting information systems were designed for salary and payroll functions in the 1970's and most of them were "in-house" developed legacy systems. However, the development of these systems was costly and maintenance was difficult. Onwards from the 1980's, software companies began to rise in direct proportion to computer companies and development of comprehensive software systems was thus initiated. Companies such as Sage Group, Microsoft, SAP AG and Oracle were not only formed but began rising gradually but phenomenally as they developed such systems in two parts, pre-configured and customized versions. The customized versions began gaining more success as such were programmed as per the firm's business processes.

Small and Medium Enterprises often used affordable packages such as MYOB and QuickBooks whereas large organizations would choose comprehensive Enterprise Resource Planning (E.R.P) systems, such as SAP, Sage Group, Microsoft Essentials and Oracle as such were easily connected for continuous periods and had a variety of much needed modules (Accounting, Auditing, and Finance Modules being some of them) with centralized storage, planning and decision-making mechanisms with complex interfaces so the systems can communicate with other parts and locations of organizations around the globe. Today, accounting information systems are now integrated with cloud-based storage and information systems at the best costs, thereby helping many businesses remove low skills, manual transactions, and manual accounting operations.

Statement of the Problem

Laura (2017) stated that while accounting software can be a time saver and help preserve data, the disadvantages of using accounting software, ranges from loss of data or service to incorrect information, system configuration, cost and fraud. Therefore, it can be conclusively said that in as much as the accounting software when diligently and meticulously handled by accountants gives the much desired result in the accounting system; it poses challenges in comprehensive auditing. If a business relied on paper audits before, it has to switch over to an electronic system. This may take weeks or months; depending on how computer-based the business was before it switched over. In addition, some personnel may require training to access or use the new system. Thus, it can take a year or more for a business to switch over to a paperless system (Jack, 2009).

Objective of the Study

The objective of this study is to determine the challenges of comprehensive account auditing and the rampant use of accounting software; specifically, the study sought to;

1. Determine the effect of accounting software on availability of source documents during audit process.
2. Establish the challenges of accounting software during audit process.
3. Find out how the use of accounting software contributes to the loss of data or service, fraud, corruption, incorrect information, system configuration and incorrect information.

Research Questions

1. What significant effect has accounting software on availability of source documents during audit process?
2. What are the challenges with accounting software during audit process?
3. To what extent does the use of accounting software contribute to the loss of data or service, fraud, corruption, incorrect system data entries?

Significance of the Study

The findings on this study would be of benefit to firms, banking industries, corporate organizations, business enterprises, public office stakeholders, audit firms, auditors, academicians, accountants and other researchers. This study will serve as encouragement, awakening and propellant to all who wish to make use of the research information to enhance good accounting system through quality auditing process, acting as a check to fraud, errors, misappropriations, improper documentations and book keeping, controls on staff and standardized working system, including every other criminal activity of all forms ranging from the top managers to the list worker in an organization. This work will also serve as a reference material to students and future researchers.

LITERATURE REVIEW

Bookkeeping

Longe and Kazeem (2012) asserted that bookkeeping is the systematic recording of transactions on a daily basis in the appropriate books. It is an integral part of accounting. Accounting is concerned with the use to which the book keeping records are put, the analysis and interpretation.

Accounting

Longe and Kazeem (2012) states that accounting is the process of recording, classifying, selecting, measuring, interpreting and communicating financial data of an organization to enable users make decision. It incorporates measurement and reporting of profit and loss.

Accounting Audit

Audit such an examination of the books of accounts and vouchers of a business as will enable the auditor to satisfy himself that the balance sheet is properly drawn up so as to give a fair and true view of the state of affairs of the business and the whether the profit and loss of accounts gives a true and fair view of profit and loss for the financial period according to the best of his information and explanations given to him and as shown by the books and if not in what respect he is not satisfied.’ Spicer & Pegler (2017)

Accounting Error

Sethy (2014), Accounting errors are the mistakes committed in bookkeeping and accounting. The mistake may be one relating to routine or one relating to principle. They may occur in entering the transactions in the journal or subsidiary books or they may creep at the time of posting into the ledger.

Source Documents

Longe and Kazeem (2012) states that all entries in the books must be supported by documentary evidence. Therefore, the source documents provide detail information for the preparation of the books. The documents include: invoice, credit note, debit note, petty cash voucher, statement of account and receipts.

Fraud

Chen (2018) described fraud as an intentionally deceptive action designed to provide the perpetrator with an unlawful gain, or to deny a right to a victim. It can be found in the sale of real property, tax fraud, credit card fraud, wire fraud, securities fraud and bankruptcy fraud.

System Data and Information:

Vladimir (2019) states that information system is an integrated component for collecting, storing, and processing data and for providing information, knowledge, and digital products which business firms and other organizations rely on information systems to carry out and manage their operations, interact with their customers and suppliers, and compete in the marketplace. Laura (2017) identified the following problems faced by companies that are using accounting software for their businesses:

Loss of Data or Service

When a business is reliant on accounting software, any loss of service due to a power or computer outage could cause a work disruption. Work disruptions can prevent the input of new information as well as prevent access to stored information. Additionally, if information is not properly backed up, a computer outage could result in lost financial data.

Incorrect Information

The information in an accounting system is only as valid as the system. Since most accounting systems require some manual input of data, financial results could be incorrect unless all input data is reviewed. If there is a tendency to only review the final reports or output of an accounting system, it may be difficult to find faulty information.

System Configuration

Every business has unique aspects that may cause difficulties when it tries to tailor a generic accounting software package to its needs. While customization is available for many programs, it may cause downtime and potential inaccuracies if not done correctly. Also, as a business grows, there may be a need to change accounting software packages; this could cause a large disruption, as information must be migrated and new training is needed for personnel.

Cost

A disadvantage of accounting software is the cost involved. Beyond the initial outlay to purchase the software there is the cost of maintenance, customization, and training and computer hardware. While time savings may justify the cost, for some businesses it may take years before an accounting software investment pays for itself.

Fraud

Information stored electronically can be manipulated and accessed if proper controls and security measures are not in place. Strict controls are needed to make sure only authorized personnel use the accounting software and have access to reports. Since financial data can be sensitive and confidential, using accounting software creates the potential for fraud.

THEORETICAL FRAMEWORK

Contingency Theory

Contingency theory was propounded by Edward Fieldler in 1964. The theory suggests that an accounting information system should be designed in a flexible manner so as to consider the environment and organizational structure an organization. The theory claims that there is no best way to organize a corporation, to lead a company, or to take decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. The theory is linked to this study because the introduction of software accounting is a new phenomenon in the accounting practice. If the use of software accounting audit gives rise to the improper accounts owing to the inability the auditor to rely on information from source books, then the use of accounting software should be discontinued.

METHODS

Descriptive survey research design was adopted for this study. According to Hale (2011), descriptive research methods are pretty much as they sound-they describe situations. They do not make accurate prediction and they do not determine cause and effect. The choice for this design was made because descriptive research is used to obtain information concerning the current status of the phenomena to

describe 'what exist' with respect to variables or conditions in a situation. The study population comprised three companies in Onitsha, Anambra.

The population of the study consists of 76 accountants in the 19 ministries in Anambra State. The accountants were used because they have adequate knowledge of the accounting software system, audit processes and the use of source documents in preparing financial statements. The simple random selection technique was used to get a sample size of 76 respondents for this study.

A structured questionnaire was designed which was used as instrument for the collection of data for this study. The instrument was validated by three experts in the field of accounting. Cronbach Alpha method of reliability was used to establish the reliability of the instrument and overall reliability coefficient of 0.79 was established. The instrument comprised of two sections, which are A and B. Section A, contained the demographic data of the respondents while Section B contained the items in the questionnaire. It is made up of ten (10) items which were designed from the three (3) research questions. A four point Likert scale was used in obtaining opinions of respondents to the questionnaire:

Strongly Agree	= (SA) 4
Agree	= (A) 3
Disagree	= (D) 2
Strongly Disagree	= (SD) 1

Above is the four-point scale; the respondents were required to tick (✓) in each column which corresponds to their preferred options. The instrument was personally administered to the respondents by the researchers and the researchers returned after a week to collect the instruments from the respondents. Out of the 25 questionnaires administered, only 23 were retrieved representing a 92 percent return rate. The analysis of data was done using mean and standard deviation. The decision rule was that any of the responses to the items of the mean point of 2.5 and above was regarded as accepted while any mean point below 2.5 was regarded as rejected.

Research Question One:

What significant effect has accounting software on availability of source documents during audit process?

Table 1:

Mean and responses of accountants on the significant effect of accounting software on availability of source documents during audit process in Nigeria.

S/NO	ITEMS	SA (4)	A (3)	D (2)	SD (1)	Mean \bar{X}	Remark
1	Details of business transactions are lacking in source documents often called business paper due to the use of accounting software.	55	15	3	2	3.6	Agree
2	Details of business transactions are complete in source documents often called business paper with the use of accounting software.	5	5	15	50	1.66	Disagree

Table 1 Shows the responses and mean of the respondents on items of the questionnaire used to find out the significant effect of accounting software on availability of source documents during audit process in Nigeria. In item 1, the respondents agreed ($\bar{X}=3.6$) that details of business transactions are lacking in source documents often called business paper due to the use of accounting software in Nigeria. While in item 2, the respondents disagreed ($\bar{X}=1.66$) that details of business transactions are complete in source documents often called business paper with the use of accounting software in Nigeria.

Research Question Two:

What are the challenges with accounting software during audit process?

Table 2:

Mean and responses of accountants on the challenges with accounting software during audit process.

S/NO	ITEMS	SA (4)	A (3)	D (2)	SD (1)	Mean \bar{X}	Remark
3	Absence of sufficient audit evidence from source documents has no negative implications during software accounting audit.	5	5	15	50	1.66	Disagree
4	Auditors lack sufficient audit evidence from source documents during software accounting audit.	45	15	10	5	3.32	Agree
5	Auditors are equipped with sufficient audit evidence from source documents during software accounting audit.	10	10	15	40	1.86	Disagree

Table 2 Shows the responses and mean of the respondents on items of the questionnaire used to find out the challenges with accounting software during audit process. In item 3 and 5, the respondents disagreed ($\bar{X}=1.66$ and $\bar{X}=1.86$) that absence of sufficient audit evidence from source documents has no negative implications during software accounting audit and that auditors are equipped with sufficient audit evidence from source documents during software accounting audit. While in the item

4, the respondent agreed ($\bar{X}=3.32$) that auditors lack sufficient audit evidence from source documents during software accounting audit.

Research Question Three:

To what extent does the use of accounting software contribute to the loss of data or service, fraud, corruption, incorrect system data entries?

Table 3:

Mean and responses of accountants on the extent the use of accounting software has contributed to the loss of data or service, fraud, corruption, incorrect system data entries.

S/NO	ITEMS	SA (4)	A (3)	D (2)	SD (1)	Mean \bar{X}	Remark
6	Complacency in the proper utilization of source documents has led to incorrect system data entries in accounting software.	40	20	5	10	3.1	Agree
7	Information found in the accounting software should be completely relied on for comprehensive auditing.	5	15	15	40	1.79	Disagree
8	Improper documentations as a result of relying on the use of accounting software gives room for fraud and corruption traceable among senior accountants and top managers.	40	15	15	5	3.16	Agree

Table 3 Shows the response and mean of the respondents on items of the questionnaire used to find out the extent the use of accounting software has contributed to the loss of data or service, fraud, corruption, incorrect system data entries. In items 6 and 8 the respondents agreed ($\bar{X}=3.1$, and $\bar{X}=3.16$) that Complacency in the proper utilization of source documents has led to incorrect system data entries and that improper documentation as a result of relying on the use of accounting software gives room for fraud and corruption traceable among senior accountants and top managers. While in items 7, the respondents disagreed ($\bar{X}=1.79$), that the information found in the accounting software should be completely relied on for comprehensive auditing.

Summary of Findings

The findings of this study are as follows:

1. Details of business transactions are lacking in source documents often called business paper due to the use of accounting software.
2. Absence of sufficient audit evidence from source documents has negative implications during software accounting audit.
3. Auditors lack sufficient audit evidence from source documents during software accounting audit.
4. Complacency in the proper utilization of source documents has led to incorrect system data entries in accounting software.

5. Improper documentations as a result of relying on the use of accounting software give room for fraud and corruption traceable among senior accountants.

6. Information found in the accounting software should not be completely relied on for comprehensive auditing except it is examined and compared with the information from the source documents.

CONCLUSION

From the result of the research, the following conclusion was made:

Quality audit reveals the true profitability nature of a company in relation to its total assets. Whereas details of business transactions are lacking in source documents often called business paper due to the use of accounting software.

Absence of sufficient audit evidence from source documents has negative implications during software accounting audit. Auditors lack sufficient audit evidence from source documents during software accounting audit. Also complacency in the proper utilization of source documents has led to incorrect system data entries in accounting software. Improper documentations as a result of relying on the use of accounting software give room for fraud and corruption traceable among senior accountants and top managers.

Finally, information found in the accounting software should not be completely relied on for comprehensive auditing except it is being examined and compared with the information from the source documents.

RECOMMENDATIONS

On the basis of the findings, the following recommendations were made:

1. Proper book keeping, documentation and utilization of source documents to check mate system entries.
2. Constant periodic internal audit, which help to check the duties and activities of the staff.
3. Constraint should be placed on the accessing of the software according to specific job descriptions.
4. Constraint should be placed on amendments and modifications of entries except on authorization and must be manned from the IT department.
5. A manual record of all signed and approved amendments and modifications done, must be kept for reference purposes and during audit.

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